

# CHANGES WITHOUT REGULATORY EFFECT UNDER CALIFORNIA CODE OF REGULATIONS, TITLE 1, SECTION 100

## Statement of Explanation

### Changes to Title 18. Public Revenue

#### Regulation 1570, *Charitable Organizations*

##### **A. Factual Basis**

Revenue and Taxation Code (RTC) section 6375 provides an exemption from sales and use tax for gross receipts from the sale of, and the storage, use, or other consumption in this state of, tangible personal property by “charitable organizations” that meet certain statutory requirements, including qualifying for the “welfare exemption” from property tax provided by RTC section 214. California Code of Regulations, title 18, section (Regulation) 1570, *Charitable Organizations*, implements the provisions of RTC section 6375, and Regulation 1570, subdivision (a) prescribes the four requirements that an organization must meet in order to qualify as a “charitable organization” within the meaning of the regulation.

The second sentence in Regulation 1570, subdivision (a)(4)(B), currently explains that “The welfare exemption must be claimed annually by March 15 with the county assessor on forms provided for this purpose.” However, section 2 of Senate Bill No. 2086 (Stats. 2002, ch. 214) amended RTC section 254.5 to require that claims for the welfare exemption be annually filed by February 15, instead of March 15, each year. Therefore, the State Board of Equalization (Board) proposes to delete the reference to “by March 15” from Regulation 1570, subdivision (a)(4)(B), to ensure that the regulation is not inconsistent with RTC section 254.5.

In addition, the third sentence in Regulation 1570, subdivision (a)(4)(B), currently provides that “If the organization does not own the store premises, it must receive the welfare exemption on its personal property, i.e., inventory, furnishings, and fixtures.” This sentence further explains that when an organization does not own real property, the organization must still qualify for and receive the welfare exemption on its personal property that would otherwise be subject to property tax in order to qualify as a “charitable organization” within the meaning of the regulation. However, RTC section 219, as added by Statutes 1980, chapter 411, section 8 provides a specific exemption from property tax for business inventories so that business inventories are exempt from property tax irrespective of the welfare exemption. Therefore, the Board also proposes to delete the reference to “inventory” from and make other conforming grammatical changes to Regulation 1570, subdivision (a)(4)(B), to ensure that the regulation does not incorrectly indicate that business inventories can be subject to property tax.

The Board has determined that these changes to Regulation 1570, subdivision (a)(4)(B) are appropriate for processing under California Code of Regulations, title 1, section (Rule) 100 because the changes make the regulation consistent with RTC sections 219 and 254.5 and do not materially

alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.

## **B. Proposed Changes to Regulation 1570**

Proposed changes to Regulation 1570:

### **Regulation 1570. Charitable Organizations.**

(a) Definition. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(A) . . . (unchanged).

(B) In order to receive the sales tax exemption it is necessary for the organization to receive the welfare exemption on the retail location for which the seller's permit is held. The welfare exemption must be claimed annually ~~by March 15~~ with the county assessor on forms provided for this purpose. If the organization does not own the store premises, it must receive the welfare exemption on its personal property, i.e., ~~inventory~~, furnishings, and fixtures.

(C) . . . (unchanged).

(D) . . . (unchanged).

(b) Sales by Charitable Organizations. . . . (unchanged).

(c) Sales to Charitable Organizations.

(1) . . . (unchanged).

(2) . . . (unchanged).

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(3) . . . (unchanged):

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(4) . . . (unchanged).

(d) Seller's Permits Required. . . . (unchanged).

(e) Medical Health Information Literature. . . . (unchanged).

(f) Health and Safety Materials. . . . (unchanged).

(g) Medical Identification Tags. . . . (unchanged).

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Sections 6371, 6375, 6375.5, 6408, 6409, 23701d and 23701f, Revenue and Taxation Code.